

**TITLE 5. Education**  
**Education Audit Appeals Panel**

Notice of Proposed Rulemaking

*Audits of K-12 Local Education Agencies*  
*Fiscal Year 2006-07*

The Education Audit Appeals Panel (EAAP) proposes to adopt the regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

**Public Hearing:**

EAAP will hold a public hearing starting at **1:30 p.m. on Monday, June 19, 2006**, in the Cedar Room at 915 L Street, Sacramento, CA 95814. The room is wheelchair accessible. At the hearing, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest. EAAP requests that any person desiring to present statements or arguments orally notify EAAP's Regulations Coordinator of such intent. EAAP requests, but does not require, that persons who make oral comments at the hearing also submit a summary of their statements. No oral statements will be accepted subsequent to this public hearing.

**Written Comment Period:**

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Regulations Coordinator. The written comment period closes at **5:00 p.m. on June 19, 2006**. EAAP will consider only written comments received by the Regulations Coordinator by that time (in addition to written comments received, and any testimony given, at the public hearing). Written comments for EAAP's consideration should be directed to:

Chris Pentoney, Regulations Coordinator  
Education Audit Appeals Panel  
770 L Street, Suite 1100  
Sacramento, CA 95814  
Fax: (916) 445-7626  
e-mail: [cpentoney@eaap.ca.gov](mailto:cpentoney@eaap.ca.gov)

**Authority and Reference:**

Authority cited: Section 14502.1, Education Code.

Reference: sections 14501, 14502.1, 14503, 41020, Education Code.

**Informative Digest/Policy Statement Overview:**

The regulations in Title 5 of the California Code of Regulations, Division 1.5, Chapter 3, comprise the audit guide required by Education Code sections 14503 and 41020. The audit guide provides guidance, through definitions of terms and specification of procedures, to auditors in the conduct of statutorily required financial and compliance audits of local education agencies. EAAP proposes amendments and additions to these regulations for the 2006-07 fiscal year that derive from

proposed content submitted to EAAP by the Controller pursuant to Education Code Section 14502.1. The affected sections are 19813, 19814, 19814.1, 19819, 19824, and 19828.1, and new sections 19833.5 and 19833.6.

Article 2, Audit Reports, includes specification of the components of the audit reports in Section 19813 and definitions of terms in Section 19814. These sections are amended to add a description of the local education agency's organization structure, to specify the numbers of audit procedures for fiscal year 2006-07, to specify a new finding code for resolution of findings related to one of the proposed new sections regarding California State Teachers Retirement System (CalSTRS) information (described below), and to make minor corrections in grammar and style. Article 2 also includes a specification of the applicability of audit procedures by audit year in Section 19814.1. That section is amended to delineate the audit procedures in Articles 3 and 4 that will be applicable to 2006-07 audits.

Article 3, State Compliance Requirements, and Article 4, Charter Schools, list the particular state-funded education programs that are required to be audited and set forth procedures that direct auditors to the documents and reports and guide auditors in steps to determine whether an auditee was in compliance with the relevant statutory and regulatory requirements during the period audited.

In Article 3, Section 19819, Independent Study is amended to add audit procedures to address the requirement of Education Code Section 51748 that independent study pupils be identified in the written records of school districts and county offices of education by grade level, program placement, and school of enrollment.

Section 19824, Instructional Time, is amended to add audit procedures to verify compliance with the requirement to maintain the regular day schools of a school district at least 175 days during the school year (163 days if the school is on a multitrack year-round schedule).

Section 19828.1, Instructional Materials, is amended to conform with an amendment to Education Code Section 60119 (Stats. of 2005, Chapter 118 (A.B. 831), Sec. 15) concerning alignment of textbooks and instructional materials with the content standards and curriculum framework cycles adopted by the State Board of Education, as well as to the percentage of pupils who lack sufficient standards-aligned materials in each subject.

Section 19831, Gann Limit Calculation, is amended to include verification of the accuracy of any adjustments to prior year appropriations limit data.

Two new sections are proposed for inclusion in Article 3, both of which relate to CalSTRS. Section 19833.5, Excess Sick Leave, directs the auditor to determine whether excess sick leave, as defined, has been afforded to CalSTRS members and, if so, to note that fact in the audit report. Section 19833.6, Notification of Right to Elect California State Teachers Retirement System (CalSTRS) Membership, directs the auditor to check for compliance with LEAs' statutory duty to notify newly hired part-time or substitute teachers of their right to join CalSTRS and to include a finding in the audit report if the LEA is not in compliance.

**Disclosures Regarding the Proposed Action:**

- Mandate on local agencies and school districts: None
- Cost or savings to any state agency: None
- Cost to any local agency or school district which must be reimbursed in accordance with Government Code section 17561: None
- Other non-discretionary cost or savings imposed upon local educational agencies: None
- Cost or savings in federal funding to the state: None
- Significant, statewide adverse economic impact directly affecting business including the ability of California businesses to compete with businesses in other states: None.
- Cost impact on a representative private person or business: EAAP is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.
- Adoption of these regulations will not:
  - (1) create or eliminate jobs within California;
  - (2) create new businesses or eliminate existing businesses within California; or
  - (3) affect the expansion of businesses currently doing business within California.
- Significant affect on housing costs: EAAP has made an initial determination that the proposed regulatory action would not affect housing costs.
- Effect on small businesses: The proposed regulations will have no effect on small businesses because they do not materially alter the requirements for LEA audits.

**Consideration of Alternatives:**

In accordance with Government Code Section 11346.5(a)(13), EAAP must determine that no reasonable alternative considered by EAAP or that has otherwise been identified and brought to the attention of EAAP would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

EAAP invites interested persons to present statements or arguments regarding alternatives to the proposed regulations at the above-mentioned hearing or during the written comment period.

**Contact Persons:**

Inquiries concerning the substance of the proposed action, requests for a copy of the proposed text of the regulations, the Initial Statement of Reasons, the modified text of the regulations, if any, and other technical information upon which the rulemaking is based, and questions on the proposed administrative action, may be directed to Chris Pentoney, Regulations Coordinator, at (916) 445-7745 or by e-mail: [cpentoney@eaap.ca.gov](mailto:cpentoney@eaap.ca.gov). The back-up contact person for general inquiries is Carolyn Pirillo at (916) 445-7745.

**Availability of Initial Statement of Reasons and Text of Proposed Regulations:**

The Regulations Coordinator will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at her office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, and the initial statement of reasons. A copy may be obtained by contacting the Regulations Coordinator at the above address.

**Availability of Changed or Modified Text:**

Following the public hearing and consideration of all timely and relevant comments received, EAAP may adopt the proposed regulations substantially as described in this notice. If EAAP makes modifications that are sufficiently related to the originally proposed text, the modified text (with changes clearly indicated) will be available to the public for at least 15 days before EAAP adopts the regulations as revised. Requests for copies of any modified regulations should be sent to the attention of the Regulations Coordinator at the address stated above. The Regulations Coordinator will accept written comments on the modified regulations for 15 days after the date on which they are made available.

**Availability of the Final Statement of Reasons:**

Upon completion of the Final Statement of Reasons, a copy may be obtained by contacting the Regulations Coordinator at the above address.

**Availability of Documents on the Internet:**

Copies of the Notice of Proposed Rulemaking, Initial Statement of Reasons, text of the regulations in underline and strikeout, and Final Statement of Reasons will be accessible, through the Education Audit Appeals Panel website: [www.eaap.ca.gov](http://www.eaap.ca.gov)